

SECOND PARTY OPINION

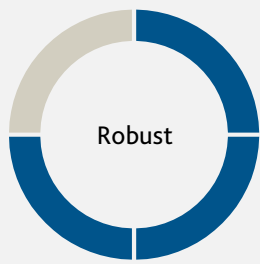
on the sustainability of JASSO's Social Bond

Moody's ESG Solutions considers that JASSO's Bond is aligned with the four core components of the ICMA's Social Bond Principles 2021 ("SBP").

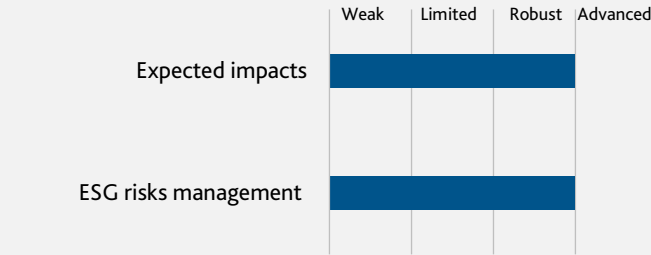


Issuance

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak



SDG Mapping



Characteristics of the Framework

Social Project Categories	⇒ Scholarship Loans (Category 2)
Project Locations	Japan
Target Population	Students with financial difficulties
Existence of Framework	Yes
Share of Refinancing	No refinancing
Look-back Period	N/A

Issuer

ESG Controversies

Number of Controversies	1
Frequency	Isolated
Severity	Significant
Responsiveness	Reactive

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- Alcohol
- Fossil fuels industry
- High interest rate lending
- Pornography
- Animal welfare
- Coal
- Human embryonic stem cells
- Reproductive medicine
- Cannabis
- Gambling
- Military
- Tobacco
- Chemicals of concern
- Genetic engineering
- Nuclear power
- Unconventional oil and gas
- Civilian firearms

Coherence

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the contemplated Bonds are coherent with JASSO's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

Moody's ESG Solutions considers that JASSO's Social Bond is aligned with the four core components of the SBP 2021

Use of Proceeds - aligned with the SBP and best practices identified by Moody's ESG Solutions

- The Eligible Loans are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location, as well as the target population for Eligible Loans.
- The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Loans.
- The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified for all Eligible Loans in the reporting.
- The Issuer has transparently communicated that there will be no refinancing.

Evaluation and Selection - aligned with the SBP

- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Loans). The roles and responsibilities are clear and include relevant internal and external expertise. The process is publicly disclosed in this Second Party Opinion.
- Eligibility criteria for loan selection have been clearly defined and detailed by the Issuer for all Eligible Loans.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Loans is publicly disclosed in this Second Party Opinion. The process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Loans (see detailed analysis on pages –14-15).

Management of Proceeds - aligned with the SBP

- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the Issuer's website.
- The proceeds will be fully allocated two days after the issuance.
- Net proceeds of the Bond will be placed in a segregated account and managed separately from funds for other scholarship.
- The Issuer confirmed that there will be no unallocated proceeds as 100% of the proceeds will be allocated two days after the issuance of the Bond.
- The Issuer has provided information on the procedure that will be applied in case of loan divestment or postponement. However, the Issuer does not have a specific timeline for reallocation.

Reporting - aligned with the SBP

- The Issuer has committed to report until Bond maturity for the allocation and impact reporting. The report will be publicly available on the issuer's website¹.
- The issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected social benefits of the Eligible Loans. The Issuer has also committed to report on material developments and controversies related to the loans.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be publicly disclosed.
- The tracking and allocation of funds to Eligible Loans will be verified only internally by the Issuer.

Contact

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¹ <https://www.jasso.go.jp/about/ir/saiken/socialbond.html>

SCOPE

Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Social Bonds² (the "Bonds") to be issued by Japan Student Services Organization ("JASSO" or the "Issuer") in September 2022, called No.68 JASSO Bond. This SPO will assess the compliance with the Social Bond Framework (the "Framework") created to govern their issuance(s).

Our opinion is established according to Moody's ESG Solutions' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Social Bond Principles ("SBP") - edited in June 2021 (referred as the "SBP").

Our opinion is built on the review of the following components:

- Issuance: we assessed the Bonds, including the coherence between the Framework and the Issuer's social commitments, the Bond's potential contribution to sustainability and its alignment with the four core components of the SBP 2021.
- Issuer³: we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities⁴.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from our exclusive ESG rating database, and (iii) information provided from the Issuer through documents.

Our opinion and work has been carried out in good faith. Moody's ESG solutions has not performed any audit, site visit, inspection, nor other tests to establish the accuracy of the information provided by the Issuer. The Issuer is solely responsible for the correctness of the information it has provided and its compliance with, and implementation of, its commitments.

We carried out our due diligence assessment from June 8, 2022 to June 17, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Issuance

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bonds Initiative Certification

² The "Social Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion from Moody's ESG Solutions.

³ The Issuer is not part of our ESG performance rating universe. In agreement with the Issuer, this Second Party Opinion does not include the assessment of its ESG performance.

⁴ The 17 controversial activities screened by us are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We consider that the contemplated Bonds are coherent with JASSO's strategic sustainability priorities and sector issues and that they contributes to achieving the Issuer's sustainability commitments.

According to SDGs Action Plan 2022, SDG 4 "Quality Education" is one of the areas Japanese government raised as a task to tackle in SDGs⁵. Japanese Government also included in their national growth plan "Promoting Dynamic Engagement of All Citizens Plan" to enhance their scholarship program to provide further aid to low-income families to ensure children can proceed with their education.⁶

In line with the government's plan, the Ministry of Education is enhancing the aid for students with economic difficulties and introduced a new relief system for higher education, by exempting or reducing the tuition fees and entrance fees, and significantly expanding the number of scholarship grant available since fiscal year 2020⁷.

According to JASSO, there are 3,500,000 students enrolled in Japan's higher education institutions, of which 34.3% (1,200,000 students), or 1 in 2.9 students, are utilizing JASSO's scholarship loan programs in fiscal 2020⁸.

Therefore, equal access to higher education is a key element of the Sustainable Development Goals (SDGs) in Japan, and despite the current efforts underway by JASSO, ensuring a sound scholarship policy to provide equal access to education aligns with Japanese government's national plan and remains a relevant topic in Japan.

JASSO comprehensively administers scholarship programmes, support programmes for international students, and student support programmes.

Through the scholarship programmes, JASSO provides support for students who have difficulties to study due to economic reasons and therefore contributes to the "Equality of Educational Opportunities" as stipulated in the Constitution of Japan and the Basic Act on Education. Through the scholarship programmes, JASSO has provided a cumulative total of approximately 22 trillion of yen as scholarships to approximately 14.13 million people in 78 years since the start of programme in 1943 (including the former entity, the Japan Scholarship Foundation) to 2020⁷.

JASSO's scholarship programmes have two types; "Scholarship Grants" that do not need to be repaid and "Scholarship Loans" that have to be repaid. Scholarship Loans have two categories; the "Category 1 Scholarship Loans" that are interest-free loans and the "Category 2 Scholarship Loans" that are interest-bearing loans. The "Category 2 Scholarship Loans", which are the use of the proceeds of this bond, apply less strict criteria than the "Category 1 Scholarship Loans". As a result, all applicants, in principle, are entitled to receive the "Category 2 Scholarship Loans" as long as they satisfy the conditions of the selection. Moreover, the interest rates of the loans are set lower than private education loans.

By creating a Framework to issue Social Bonds intended to finance to scholarship loans, the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of sustainable development.

⁵ https://www.mofa.go.jp/mofaj/gaiko/oda/sdgs/pdf/SDGs_Action_Plan_2022.pdf

⁶ <https://www.kantei.go.jp/jp/headline/ichiokusoukatsuyaku/index.html>

"Promoting Dynamic Engagement of All Citizens Plan" is a national growth plan under aging society which was set by Prime Minister Abe administration in 2016.

⁷ https://www.mext.go.jp/a_menu/koutou/shougakukin/main.htm

⁸ <https://www.jasso.go.jp/about/ir/saiken/siryo.html>

ISSUANCE

JASSO has described the main characteristics of the Bonds within a formalized Social Bond Framework that covers the 4 core components of the SBP 2021 (the last updated version was provided to Moody's ESG Solutions on July, 2020). The Issuer has committed to make this document publicly accessible on JASSO's website, in line with good market practices.

Alignment with the Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance, in full, projects falling under the Social Loan Category ("Eligible Categories"), as indicated in Table 1.

- The Eligible Loans are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location, as well as the target population for Eligible Loans.
- The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Loans.
- The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified for all Eligible Loans in the reporting.
- The Issuer has communicated that there will be no refinancing.

BEST PRACTICES
⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories
⇒ Relevant social benefits are identified and measurable for all loan categories
⇒ The expected benefits have been estimated ex ante with clear baselines for all of the Eligible Loans
⇒ The Issuer has committed to not have refinancing

Table 1. Our analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework


- Nature of expenditures: Financing of the "Category 2 Scholarship Loans"
- Location of Eligible Loans: Japan

ELIGIBLE LOANS	DESCRIPTION	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Category 2 Scholarship Loans	<p>Interest-bearing scholarship loans that have to be repaid</p> <ul style="list-style-type: none"> - Recipients can choose the interest rate conditions of the repayment (fixed, variable revised every 5 years) - The upper limit on the loans' interest rate is 3% - No interest-bearing during the lending period (during the period of study) - Repayment starts after graduation (termination of lending) 	<p>Below category of conditions detailed under⁹ must be fulfilled in order to be eligible for category 2 loans:</p> <ul style="list-style-type: none"> - Personality - Academic standard - Household circumstance <p>The selection is based on a comprehensive assessment of above elements.</p>	<p><u>Equal access to education</u></p> <p>Provide scholarship loans to all applicants who meet the criteria</p> <p>Percentage of recipients of the scholarship among the applicant who meet the criteria: 100%</p>	<p>Eligible Loans are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Loans.</p> <p>The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Loans.</p> <p>The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified for the Eligible Loans in the reporting.</p>

⁹ https://www.jasso.go.jp/shogakukin/about/taiyo/taiyo_2shu/index.html

SDG Contribution

The Eligible Categories are likely to contribute to 1 of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Scholarship Loans		4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

Evaluation and Selection of Eligible Loans



- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Loans). The roles and responsibilities are clear and include relevant internal and external expertise. The process is publicly disclosed in this Second Party Opinion.
- Eligibility criteria for loan selection have been clearly defined and detailed by the Issuer for all Eligible Loans.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Loans is publicly disclosed in this Second Party Opinion. The process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Loans (see detailed analysis on pages –14-15).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, JASSO conducts the evaluation and selection of Eligible Loans based on relevant expertise:
 - Principals of educational institutions
 - The division within JASSO responsible for application of scholarship
 - The division within JASSO responsible for scholarship planning
 - The division with in JASSO responsible for checking the continuous eligibility of the scholarship students
 - The executive officer of JASSO
- Each expert is responsible for:
 - Selection of scholarship students based on recommendation by the principals of educational institutions of Ministerial Ordinance to JASSO
 - Reporting the result of the selection to the division within JASSO responsible for scholarship planning
 - Approval of the loan
 - Making decisions comprehensively based on the applicants' personality, academic ability and financial condition. The criteria applied for the "Category 2 Scholarship Loans" are less strict than the "Category 1 Scholarship Loans" and there are no additional criteria for exclusion other than the above-mentioned selection criteria. As a result, all applicants, in principle, are entitled to receive the "Category 2 Scholarship Loans" as long as they satisfy the conditions of the selection criteria.
 - Monitoring the Eligible Loans portfolio is done by the division within JASSO in charge of checking the continuous eligibility of the scholarship students until the end of scholarship period.
- The traceability and verification of the selection and evaluation of the loans are ensured throughout the process:
 - In terms of monitoring of the process, a relevant verification system is in place to avoid mis-selections that do not meet the criteria.
 - In case controversies occur, the relevant division depending on the nature of controversies will be in charge of dealing and in case of litigation, they will consult with the lawyer if needed. The Issuer will also take actions by clarifying and explaining their position and cooperating with relevant governmental authorities if needed for further correspondence.
 - In terms of traceability of the process, the content of each criterion is clearly stated in the Guide of Operation and other related documents that are open to the public.

An area for improvement would be to specify the actions taken in case of non-compliance with the eligibility criteria.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives defined for the Eligible Categories.

- The selection criteria is based on the definitions described in Table 1 in the Use of Proceeds section.
- The exclusion criteria are defined in the Framework as per below:
 - Loans aiming at financing any activities within high extra financial risks sectors (tobacco, coal or non-conventional fossil fuels, night clubs, adult entertainment, gambling).

BEST PRACTICES

⇒ Eligibility and exclusion criteria for Loan selection are clearly defined and detailed for all of the Eligible Categories

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the Issuer's website.
- The proceeds will be fully allocated two days after the issuance.
- Net proceeds of the Bond will be placed in a segregated account and managed separately from funds for other scholarships.
- The Issuer confirmed that there will be no unallocated proceeds as 100% of the proceeds will be allocated two days after the issuance of the Bond.
- The Issuer has provided information on the procedure that will be applied in case of loan divestment or postponement. However, the Issuer does not have a specific timeline for reallocation.

Management Process

- The net proceeds of the Bond will be credited and kept in an account dedicated to the "Category 2 Scholarship Loans" and managed separately from funds for other scholarships.
- The net proceeds of the Bond will be managed entirely by the JASSO's Finance Department.
- JASSO has established a system to track scholarship remittance destination and amount through the prescribed procedure within the organisation.
- The issuance date of the Bond is set two business days before the scholarship remittance date and the entire amount of the funds procured will be remitted. For this reason, there will be no funds to be refinanced and unallocated funds will not exist after the remittance date.
- The net proceeds will not be used for any other purposes. Of note, in case that the Bond is issued at above par, JASSO uses the portion above the face value as part of future interest payment costs, which is an accounting treatment required by "Incorporated Administrative Agencies Account Standards" and related guidelines set by The Ministry of Internal Affairs and Communications.
- JASSO provides scholarship as part of Japanese national education policy and scholarships are necessary for students to pursue their education. Therefore, unless there is amendment or abolition in JASSO's main business, it is highly unlikely that divestment or postponement occur. However, in case postponement occurs, due to external events such as national disasters, JASSO will continue managing the proceeds in accordance with the procedures described above and the proceeds will be allocated to Eligible Loans as soon as possible.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less
- ⇒ The Issuer has provided information on the procedure that will be applied in case of loan divestment or postponement

Reporting



- The Issuer has committed to report until Bond maturity for the allocation and impact reporting. The report will be publicly available on the Issuer's website¹⁰.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected social benefits of the Eligible Loans. The Issuer has also committed to report on material developments and controversies related to the loans.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be publicly disclosed.
- The tracking and allocation of funds to Eligible Loans will be verified only internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive:

REPORTING INDICATORS ¹¹
⇒ A brief description of the Eligible Category, the "Category 2 Scholarship Loans"
⇒ Total amount of proceeds allocated per year
⇒ Total amount of unallocated proceeds
⇒ Share of refinancing (in %)

- Social benefits: The indicators selected by the Issuer to report on the social benefits are relevant and exhaustive.

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
Category 2 Scholarship Loans	<ul style="list-style-type: none"> - Total number of recipients of the "Category 2 Scholarship Loans" per year. - Total amount of lending through the "Category 2 Scholarship Loans" per year. - Percentage of recipients of the scholarship among the applicant who meet the criteria (in %). - Collection rate of repayment concerning the "Category 2 Scholarship Loans" per year (in %).

An area for improvement is to commit to an external verification of the tracking and allocation of funds to Eligible Loans..

¹⁰ <https://www.jasso.go.jp/about/ir/saikens/socialbond.html>

¹¹ The Issuer has declared that there will be no re-financing and that co-financing is non-applicable.

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until bond maturity.
- ⇒ The Issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Loans. The Issuer has also committed to report on material development related to the loans, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Loans.
- ⇒ The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be disclosed publicly.

CONTRIBUTION TO SUSTAINABILITY

Expected Impacts

The potential positive Impact of the Eligible Loans on social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Category 2 Scholarship Loans	ROBUST	<p>According to the School Basic Survey conducted by Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT), the enrolment rate to the higher education in Japan reached 83.8% as of May 1, 2021¹². Despite this high entrance rate, the higher education is not provided for free in Japan including public institutions with few exception (for example, the average annual tuition fees for public universities in Japan is JPY 535,800 and the average annual tuition fee for private universities is JPY 930,943¹³ in fiscal 2021). Given that 34.3% of all students enrolled in higher education in Japan receives scholarship from JASSO, the loan is relevant and contributes to United Nation's Sustainable Development Goals ("SDGs") Goal 4. Quality Education is a relevant topic in Japan.¹⁴</p> <p>JASSO provides support for students who have difficulties to study due to the economic reasons and it therefore contributes to the "Equality of Educational Opportunities" as stipulated in the Constitution of Japan and the Basic Act on Education. JASSO offers two types of Scholarship Loans program: The Category 1 Scholarship Loans is interest free but only for students who meet the required grade and income standard (i.e., who are in extreme difficulties) whereas the Category 2 Scholarship loans are interest-bearing loans and has less stringent eligibility criteria than Category 1 Scholarship loans. Therefore, the Category 2 Scholarship loan broadens the accessibility to the scholarship than the Category 1 Scholarship.</p> <p>Moreover, the Category 2 Scholarship loans for which the proceeds of this bond will be allocated, contributes to the long-term improvement in the education level in Japan by providing the opportunity to access, continue, and complete the higher educations. While the Category 2 provides social benefit to the students with financial difficulties, it is important to acknowledge that the students will continue to carry the burden of repayment due to the interest-bearing nature of the loan.</p> <p>JASSO is a policy execution institution of the government and has established the Scholarship Grants Programmes that do not need to be repaid since fiscal year 2017, after the government's revision of the law in response to a series of discussions over the topics and requests from the society.</p> <p>Regarding the collections of repayments of the Scholarship Loans, it is necessary to keep the collection rate above a certain level in order to protect the sustainability of the scholarship programmes and the benefits of future scholarship applicants.</p>
OVERALL ASSESSMENT	ROBUST	

¹² https://www.mext.go.jp/content/20211222-mxt_chousa01-000019664-1.pdf

¹³ https://www.mext.go.jp/a_menu/koutou/shinkou/07021403/1412031_00004.htm

¹⁴ <https://www.mext.go.jp/en/policy/education/lawandplan/title01/detail01/1373799.html>

ESG Risks Identification and Management Systems in Place at Project Level

The identification and management of the environmental, social, and governance risks associated with the Eligible Projects are considered robust.

Environmental Risks

Environmental management system and environmental impact assessment

JASSO has established its own environmental policy¹⁵, in which the Issuer has set the immediate goal of reducing the amount of greenhouse gas emissions from its administrative and business activities year over year. The policy also specifies specific items to be addressed to reduce greenhouse gas emissions, such as the introduction of low-emission vehicles and energy-saving equipment. In addition, the Risk Management Policy specifies that Risk Management Committee will oversee risks relating to natural disasters that will potentially interrupt their operations¹⁶.

Social Risks

Fundamental human and labour rights

As part of its efforts to respect human rights and prevent harassment, JASSO has established internal regulations regarding the prevention of sexual harassment and other human rights violations¹⁷. These regulations define the responsibilities of each stakeholder, and state that each person concerned will make efforts to prevent and eliminate human rights violations. Furthermore, JASSO has established the Human Rights Violation Prevention Committee, which plans various measures on anti-human right violations, such as planning internal awareness-raising activities, internal training programs to prevent and eliminate human rights violations, and investigating human rights violations when they occur.

JASSO also formulated guidelines on the prevention of discrimination based on physical limitations, which is based on Japanese law on the "promotion of elimination of discrimination on the basis of disability". In addition, there is a counsellor in each office who responds to complaints from staff. With regard to respect for workers' rights, JASSO implemented measures based on Japanese Labour Union Law and Japanese Labour Standards Law, and concerning the illegal labour, JASSO complies with laws established based on international standards that Japan has ratified.

Health and safety of workers

JASSO holds health committee meetings once a month at each office and the committee can discuss with company doctors on the working environment. All employees also go through stress and health checks once a year, and interviews with company doctors and public health nurses are also conducted.

In terms of the quality of the working environment, JASSO has established rules of employment for staff and part-time staff. Furthermore, the company has established internal regulations on childcare leave for employees and on the implementation of detailed rules on parental leave for staff and detailed rules for implementing staff employment to promote the development of a workplace environment where women can play an active role. The salary level is in accordance with the salary of civil servants as stipulated by Japanese law^{18 19}.

¹⁵ https://www.jasso.go.jp/about/disclosure/sonota/_icsFiles/afieldfile/2021/11/05/2021ondanka.pdf

¹⁶ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/09/14/kitei_27_16.pdf

¹⁷ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/04/16/kitei_17_18.pdf

¹⁸ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/09/14/kitei_16_02.pdf

¹⁹ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2022/04/26/kitei_16_04.pdf

Social impact assessment

JASSO does not conduct social impact assessment as a whole but the scholarship contributes to equal opportunities in education as stipulated in the Constitution of Japan and the Basic Act on Education, and therefore expected to have positive impacts on the society.

In addition, the operations of JASSO are carried out in accordance with the laws and regulations enacted by the parliament and the government, and the laws and regulations are appropriately amended based on the status of the operations, the opinions of the public, and the social needs.

Responsible communication with customers

JASSO provides information about their scholarship system on its website, including the interest-bearing nature of the scholarship as well as need for the repayment. The brochure explaining the nature of the scholarship and associated risks are uploaded on their website and made at public's disposal. Furthermore, such brochures are provided to scholarship students via educational institution^{20 21 22}.

JASSO also holds information sessions for students who are the recipients of scholarships or who are considering applying for scholarships in the future to explain the risks associated with the scholarship and its repayment. In addition, scholarship advisors are dispatched to high schools and other institutions throughout Japan to provide guidance on scholarships, so that students will not have to give up on entering higher education institutions for financial reasons^{23 24}. The Scholarship Counselling Center provides consultation services at any time and conducts satisfaction surveys on a regular basis.

Responsible management and after sales relations

JASSO established The Scholarship Counsellor Center on their website, which the scholarship students can access to consult their scholarship. Furthermore, scholarship students can also ask their questions in chat box as well as provide their opinions by filling in opinion form²⁵. The provided opinions are shared with all divisions involved in scholarship and ensured to be replied by the appropriate division.

In case the scholarship student faces financial difficulty during the restitution after his/her graduation (end of loan period), the student can request either a reduction in monthly repayment amount to 1/2 or 1/3 for a maximum period of 15 years or delay the restitution for a maximum period of 10 years²⁶. In the event that a lawsuit arises with regards to the repayment, JASSO consults with their legal counsel and responds appropriately to the complaint.

Business ethics

Being a governmental agency, JASSO's business and activities are all regulated under related Japanese laws and regulations, such as Act on General Rules for Independent Administrative Institutions, Act on Japan Student Service Organization, Order for Enforcement of the Independent Administrative Institution Japan Student Services Organization Act, and Ministerial Ordinance of the Independent Administrative Institution Japan Student Services Organization²⁷. However, the Code of Conduct is not part of such related laws and regulations and not set by JASSO separately.

Under the Public Reporting Management Policy²⁸, JASSO established the whistle-blowing system as well as a responsible team to follow up and manage the issue at hand.

The Issuer receives regular audits from internal audit group and external audit firms, and a counsellor is assigned to each office to receive any complaints from the staff and anonymous complaints are also accepted. In addition, training for the counsellors and compliance training for staff is conducted regularly.

²⁰ <https://www.jasso.go.jp/shogakukin/moshikomi/yoyaku/tebiki/index.html>

²¹ <https://www.jasso.go.jp/shogakukin/moshikomi/zaigaku/tebiki/index.html>

²² <https://www.jasso.go.jp/shogakukin/henkan/houhou/flow/tebiki.html>

²³ <https://www.jasso.go.jp/shogakukin/adviser/index.html>

²⁴ <https://www.shogakukinsupport.jp>

²⁵ <https://www.jasso.go.jp/shogakukin/oyakudachi/toiawase/index.html>

²⁶ https://www.jasso.go.jp/shogakukin/henkan_konnan/index.html

²⁷ <https://www.jasso.go.jp/about/disclosure/soshiki.html>

²⁸ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/04/16/kitei_18_05.pdf

ISSUER

Management of ESG Controversies

As of June 2022, the review conducted by Moody's ESG Solutions revealed one ESG controversy against JASSO over the last four years.

As of June 2022, JASSO faces one stakeholder related ESG controversies, linked to one of the six domains we analyze:

- Business Behaviour in the criteria of "Information to customers".

Frequency: The controversy faced is considered "isolated"²⁹; in line with the sector.

Severity: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "significant"³⁰; less severe than the sector.

Responsiveness: JASSO is considered overall "reactive"³¹; in line with the sector.

Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of Concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High-interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Moody's ESG Solutions.

²⁹ M ESG scale of assessment: Isolated / Occasional / Frequent / Persistent.

³⁰ M ESG scale of assessment: Minor / Significant / High / Critical.

³¹ M ESG scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

METHODOLOGY

In our view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, we provide an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Moody's ESG Solutions according to the ICMA's Social Bond Principles - June 2021 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. Moody's ESG Solutions evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by Moody's ESG Solutions on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Moody's ESG Solutions on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Moody's ESG Solutions on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Our assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental/social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental/social objectives

The expected positive impact of activities on environmental/social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental/social objective for the sector of the activity;³²
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the Issuer, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental/social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) for environmental objectives only: the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Moody's ESG Solutions' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of Stakeholder Related ESG Controversies

Moody's ESG Solutions defines a controversy as public information or contradictory opinions from reliable sources that incriminate or make allegations against an Issuer regarding how it handles ESG issues as defined in Moody's ESG Solutions' ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

We reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

We provide an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, our controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in Controversial Activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

³² The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

OUR ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Social Bond and Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of ESG risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Social Bond Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advanced to robust level of assurance of ESG risk management or an advanced expected impact combined with a limited level of assurance of ESG risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Social Bond Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of ESG risk management; or a robust expected impact combined with a limited to weak level of assurance of ESG risk management; or an advance expected impact combined with a weak level of assurance of ESG risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Social Bond Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of ESG risk management or a limited expected impact with a weak level of assurance of ESG risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Social Bond Principles.

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